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STRUCTURE OF AGRICULTURE: THE POLICY ISSUE

Harold F. Breimyer

Each generation believes it has a monopoly on crises. Its spokesmen declare how exceptional are the perils of its day. Crossroads are invariably said to loom ahead.

It is, therefore, with diffidence that I declare my uneasy feeling that our nation is approaching a crisis decision as to the kind of economy and kind of government that are to prevail through ending years of our century. I am not timid to the point of silence because I have not customarily played a Cassandra role. My direst warnings have been of prospective demise of central markets for setting cattle prices.

I cannot here relate all the factors that contribute to my anxiety. Nor does my topic accommodate such a confessional. I will touch on a few developments that disturb me. The purpose of this sobering introduction is to justify treating my subject not in agricultural chauvinism, nor as microdecisions such as whether a hog farmer ought to accept sows on lease. The issue of the future structure of agriculture is part and parcel of more comprehensive issues as to the structure of the economy and, therefore, also of the structure of the government that necessarily gives direction to the economy.

In brief summary, I am apprehensive on the following grounds:

1. A retarding rate of growth of the economy, due to declining birth rate and increasing tightness of resources including the cost of cleaning up those we still have and disposing of their refuse.

2. A highly skewed distribution of wealth that was tolerable during an expanding economy but is fraught with social chaos when that expansion slows.

3. Imminent scarcity and eventual exhaustion of some of our essential mineral resources. This ties back not only to item 1 but to item 2 also, for the monopoly value of the remaining reserves will be astronomical.¹

4. A system of government that probably will not prove adequate to the task ahead. Our governmental system, like our economic system, was well suited to an economy of relative plenty. It is not designed for the forthcoming economy of scarcity. In particular, our forefathers, for reasons that were appropriate to the time, were fearful of overcentralization of power. They relied heavily on dispersed balance of power. Balanced power works best when not too much exercise of it is required. In wartime we almost abandoned the principle. We are now seeing a trend toward centralization, not only in abdication by the Legislative to the Executive but in promised reorganization of the Executive Branch which would transform that branch from a gravitational federalism that resembles our solar system to a direct command organization.

5. Accretions of private power, primarily in the conglomerates and above all the multi-national conglomerates. These not only interfere with the workings of a competitive enterprise system but seriously weaken the capacity of government. The old kings knew better than to let any noble acquire power greater than theirs. Modern democracies aren't that smart.

6. A reorientation of moral values and social structures. This last reason for my concern is hardest to phrase. It relates to the conventions of our society, which has abandoned religion as the central moral

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¹ A current news item reports a request for an 87 percent increase in natural gas prices. It might be justified by marginal cost; but if so it is marginality run amok.

code and weakened the family as the mutual support unit. Reliance is placed instead on secular science for our philosophical underpinning and on private and public bureaucracy as the support institutions.²

Each of these points is perhaps debatable, and customary language is scarcely adequate for capsule communication. But if even a few of them possess partial validity, they suffice to put the structural issue in agriculture into a catholic or even cosmic context.

How indeed shall the resources for producing life-sustaining food and fiber be organized? Who shall own the physical COMPONENT, and who control? What shall the role of the human participant, and what combination of incentives and sanctions shall guide his efforts?

These are timeless questions. On other occasions I have pointed out that our prevailing agricultural system in the U.S., the market proprietorship, is rare both historically and geographically. Not often in time and space has the precious resource of the land been held in small units, and even more rarely have those units been operated by freeholders. What shall be the organizational answer for the future?

GOALS

1. High Farm Productivity.

The policy issue posed before us has two prongs. One relates to our goals as to the kind of food-and-fiber system we want. The second concerns the policy instruments we might be willing to apply in order to get what we want. These are just the familiar ends and means; but as every philosopher declares, democracy must consider both ends and means and can scarcely distinguish between the two. That is, we are selective not only as to goals but as to devices for pursuing them.

Some of the goals for our food-and-fiber system are well known. Perhaps the first is high farm productivity, though why we should go wild about that goal when we subsidize resource idleness I cannot quite explain.

In the North Central Extension project of which I have been a member, and to which I will refer later, the unanimous judgment was that productivity will not differ enough under various forms of organization to be worth a moment's worry. Let's dismiss that one.³

² Trust in scientific materialism was reproved by John R. Commons in these sharp words: "... the scientific revolution consisted in dropping both the divine will and the human will from the restraints of ethical investigation, and reducing not only physical nature but also human nature to a blind war of atoms, molecules, protons, electrons, statistics, quanta, and a bloody struggle for existence and survival." [7, p. 166].

³ This refers to output-input ratios. Conservation of resources over time, or monopoly-created scarcity, are other matters.

Traditionally, we have been concerned for the income and material level of living for those who remain on land. To our credit, we give first attention to the operators – the people who plow the furrow and feed the hogs – as contrasted with absentee owners. But only with the surviving operators. We abandon the displaced; that is to say, the rejected. This theme has been developed often, and needs no elaboration here.

It has been a long, hard fight to win sympathetic attention for hired farm laborers.

Other goals merit equal billing. Let me mention a few that I believe to belong on the roster of goals, or at least potential goals, of policy for structural organization of agriculture.

2. Social Stability.

This is the general term that cloaks many issues in socio-economic class relationships. Our object is a system of relationships that meets our moral standards and thereby yields an acceptable degree of stability. We reject repression as a substitute for stability.

For some reason economists shy away from this consideration in agricultural policy. How can any student of history do so? The record of the ages is replete with social conflict stemming from rigid and exploitative class distinctions in agriculture. Make no mistake, agriculture lends itself readily to a highly stratified social system.

Social stability is ordinarily considered alongside concepts of status. Certainly our farmer-forebears' dreams combined a personal status free of feudal bonds with hopes for stable communities. Those dreams led to a small unit freehold system of farming. To be sure, limitless expanse of land made it easy for them to indulge their ideology.

Early American farmers wanted proprietary status, which includes the managerial prerogative. So do Missouri farmers today.

3. Optimum Performance in Food Production and Distribution.

Objective performance norms must be set for the food distribution system, however it be organized. As inherent productivity of the land resource is about the same in any system, and economy of size or scale does not characterize farming as it does

manufacturing, the target of concern is those twin companions of imperfect competition, (1) monopolization (really, oligopolization) and (2) excessive costs of non-price competition.

Few sectors of the economy are so fertile with possibilities for exploitative monopolization as is the farming of land. Even when atomistically organized, farming can generate enormous returns to land as the fixed but vital factor of production. Because aggregate demand for food is so inelastic, any successful effort to create scarcity would yield an enormous additional profit. The possibility of doing so is attractive!

Raw farm products are now sold with a minimum of promotion, advertising, new product development. A few economists deplore this fact but most consumers seem to glory in it. Non-price competition with its costs is confined to the later stages in distribution, and is much more elaborate for certain food products than others.

In all the opinion surveys I have seen, urban consumers show sharp sensitivity to how alternate kinds of agriculture would affect the cost of food.

4. Conservation of Resources, Environmental Protection.

In A.D. 1973 one goal, and therefore one test, for any organizational system for agriculture must be how well it conserves resources and protects the environment.

5. Development of Rural Communities.

If we assume that the rhetoric about wanting to protect and develop our rural communities is not entirely idle, this must be a factor that enters into any policy for the organization of agriculture. The various forms of organization do differ in this regard. This consideration is readily accepted in policy circles – until it is converted into goal number 6 calling for increased employment in farming.

6. Opportunities for Employment.

Should the effect on employment be a consideration in a choice among systems for organizing agriculture?

If we are sure we will always have full employment in the economy, this can be disregarded. If chronic unemployment is our destiny, while urban ghetto enclaves become both symbol and substance of what we do NOT want, it is conceivable that we will stop applauding how fast we kick people out of agriculture, and begin to search for more opportunities there.

CATEGORIES OF ORGANIZATIONAL STRUCTURE

If the preceding statement of goals is approximately accurate, we next ask how various kinds of organization of agriculture rate when measured against them. What is the scorecard of each?

I will necessarily condense my remarks, and will draw heavily on the work of a group of extension economists in North Central States. We have published one report [9] and a second, a set of pamphlets, is due off the press soon.⁴ When we began our study we discovered quickly that our profession is handicapped in treating the subject by the absence of a generally accepted system or framework for analysis. We drew up our own. More accurately stated, we drew up two. In our 1972 publication we explained how the organization of agriculture is determined by:

Access to farmland
Access to technical knowledge
Access to commercial inputs
Access to markets
Rules and laws affecting such factors as risk abatement, income tax rates, pollution control, land retirement payments, etc.

In our pamphlets we are describing four "pure" farming systems plus a combination:

Dispersed open market
Corporate
Cooperative
Government-administered
Combination

The corporate includes both contractual and giant-corporation operatorship. The cooperative is no innocuous voluntary unit but a full-contract set-up.

In my writings I have tried still other nomenclatures. For a forthcoming AJAE article I developed a 9-box grid for classifying all kinds of economic organization (not just agriculture), stressing status versus contract terms of human relationships [3]. At a national extension conference I devised categories for agriculture alone using those status-contract concepts [2]. But for our Governor's Conference on Agriculture I put more emphasis on size alone – in a subliminal strategy, perhaps, of reminding my leading-farmer audience that issues are not dispelled by classifying a big owner as a "farmer" rather than "non-farmer" [6].

⁴To be published by University of Illinois at Urbana-Champaign but available from most state Extension Services.

SELECTIVE COMPARISONS

The digest that follows will relate to only three departures from traditional U.S. agriculture: absentee landholding of family sized farms; giant-unit operatorship; contractual integration.

Absentee Landholding.

This would put land in the hands of a large RENTIER landholding class. The principal consequences would affect, obviously, the role and status of farmers, and income distribution.

All super-marginal land generates unearned income and as land becomes scarcer that capacity multiplies. If a separate social class gets hold of most of the land, it can live in luxury on its RENTIER income.

Such a social system violates all our tenets of democracy. It has been the scourge of nations in the past and continues so for many today. Our development counsellors exhort nations so burdened to undertake agrarian reform. Fine; but we ought also be mindful of our own state of affairs.

However, to date we have not violated this tenet extensively. Many of our landlords are retired farmers or widows of farmers. They are not a vested-interest social class. Perhaps the paramount trend is to make absentee landlords out of over-paid city lawyers, doctors, and university professors.

Giant-unit Landholding.

This not only puts ownership into non-operator hands but employs industrial techniques, particularly job specialization, managing farms. As in industry, there is a layer-cake hierarchy of supervision and tasks. Persons who work on land or in feedlots are simply wage laborers.

The owner may be a non-farmer corporation or a very large farmer (almost always incorporated).

Obviously, not a penny of the unearned income from land normally goes to farm workers. Presumably it would go to stockholders, although the suspicion circulates that officers of the firm might latch on to a few shekels. Moreover, that return to land would be not only the familiar rent but capital gains also. A vice president of Tenneco was candid when he declared that his company did not expect to make any profit from its current immense farming operations; it was banking on flationary rise in price of its land.⁵

Insofar as this system widens the income gap between workers and owners it jeopardizes social stability. Even more unsettling is the likelihood that

farm workers would themselves adopt the ways of industry and organize to add to their income. Neither the strike that often accompanies negotiation nor any policy of suppression is very appealing.

Contractual Integration.

Closely related is contractual integration, a system that lets the operator keep his land but removes part of the capital-supplying and much of the managerial role. The degree of transfer to management varies according to terms of contracts. Implications of a contractual agriculture have been reviewed often. Scattered islands of integration are inconsequential. On the other hand, when a commodity goes entirely contractual, as broilers have done, there is danger of circumscribing farmers' opportunities. Aside from the effect on income distribution, itself hard to predict (though greater inequity is likely), integration like giant farming breeds class division and invites collective organization and action. We don't have good experience models for predicting how an organized contractual agriculture would perform.

For other performance tests contractual and giant-unit agriculture can be considered together. Both are marked by concentrated economic power. For most tests we lack reliable evidence. Much doubtless would depend on how large the firms might become. If big enough, they could invoke some of the monopoly power that is a fright to all consumers. Granted, the public might use its own political power to put them all under a strict price-control blanket. It MIGHT; the obstacles to doing so are formidable.

Effect on rural community? My extension colleagues are virtually unanimous in believing that this test is about the easiest to apply. Giant and contractual agriculture would do it harm.

Conservation of resources and environmental protection? Here again, we have little to go by. If the coal companies of Missouri provide our example, we should worry. Except when subjected to vigorous public pressure their score seems to be exploitation 100, conservation 0.

On the other hand, an agriculture organized in large units might apply pollution control laws more effectively than family farms do. The reason is that industrial-type firms have an administrative mechanism for doing that sort of thing. One big plus for corporate style management is that it is experienced in applying rules, especially fine print rules.

⁵ Taken from interview by Simon Askin as reported by the Los Angeles Times and quoted by Kotz [8].

DISPERSED OPEN MARKET PROPRIETORSHIPS

Finally we must ask, what about dispersed open market proprietary farming -- the so-called family farm? Have our forefathers' ideas been disproved? Have their dreams vanished?

First, let it be clear that our present farming is by no means all family farm. My estimates are that 5 to 7 percent of all marketings come from giant-unit farms, and another 12 to 15 percent from contractual integration. Not more than 80 percent is family farm; and this figure is receding.

Far from being the uniform, almost idyllic sector that Jefferson envisaged, U.S. farming has as sharp divisions RELATIVELY as do most industrial and commercial parts of the economy. Tom Stout at Ohio State has long nagged us with data supporting that allegation.

For my part, I am generally partial to traditional farming, yet I am somewhat ambivalent. On the one hand, I am confident that status is an important consideration, as it relates to human values and motivation and also to the strength of our social institutions. Further, the combining of several roles in the family farmer reduces the danger of social conflict. It is hard to stir up a capital-labor or landlord-tenant conflict if the same person is capitalist, laborer, and landowner. As there is no compelling technological reason for denying farmers a proprietary status, much is to be said for granting it to them.

On the other hand, a seminar speaker at Missouri reminded us recently that small farmers are the epitome of the PETITE BOURGEOISIE, with all their pretenses and prejudices.

When addressing the independent bankers of our nation I put my mixture of feelings into these words:

The family farm...strengthens the family as an institution. It generates various desirable personal qualities. It breeds a sense of responsibility that is absent in obscure posts in corporate bureaucracy. But the rural community has its social class lines and its discrimination. Large farmers, however sterling their personal qualities, often are more interested in squeezing the smaller farmers out of farming than in helping them stay in. Established families sometimes treat newcomers as interlopers... [5, p. 6].

I could add the compelling evidence that political failures of agriculture to organize for cooperation or

bargaining are chargeable not to farmers' minority status -- their favorite plaint -- but to divisiveness within the farming community. The Farm Bureau's ambitious American Agricultural Marketing Association offers a good example. When it begs other farm groups to help it firm up a legal base for bargaining it encounters cold shoulders. But it also has trouble with its own parent organization. Its original drive to organize broiler growers was resisted not only by integrated processors, but by some Farm Bureau scions who identified more with those integrators than with obscure hill farmers who tend fowl for a living.

STRUCTURE OF AGRICULTURE AND THE PERILS OF OUR TIMES

It is time to go back to the opening theme. Slowdown of economic growth, incipient scarcity of mineral resources, alarming inequity in distribution of wealth, untested capacity of government: these will live with us, or we with them, in decades ahead. In two short centuries we have devastated a continent. Science aided the process; worse, it gave us a meretricious ideology, a faith

... that if the man-hour efficiency of all industries could be increased so greatly as to bring the world into a period of ABUNDANCE, in place of the medieval, feudal, or mercantile... SCARCITY, then all the conflicting disagreements and class conflicts ... would sink to insignificance... [7, p. 185].

The trust probably was never justified, but in any event it becomes a misplaced trust as the resource base for abundance erodes away. A new day of reckoning now appears before us. The reckoning will include a choice as to our system for organizing our agriculture.

So I say, let's don't reckon for an agriculture that: (1) speeds depletion of resources; (2) worsens distribution of wealth; (3) adds to accretions of private power; (4) makes food unnecessarily costly; (5) reduces opportunities for employment; (6) puts undue strains on exercise of government; (7) depreciates the status of the individual; (8) erodes moral values; (9) weakens the fibre of the community.

My argument points toward a decentralized agriculture. My main tenets are to avoid bringing farmers into mass organization and mass contest, and land into monopoly control. But this is not a plea for the STATUS QUO. Any agriculture of the future must help relieve the perils of our times and pursue the goals set for it.

One thing more remains. If my apprehensions as to our future are correct, agriculture, recently relegated to the shadows, will move front and center. Reasons are two. First, under stress the public reasserts its concern for fundamentals to existence such as the source of its food supply. And second, as shortage of energy presses upon us we will re-learn that the only renewal supply on this planet is solar

energy converted by the biological process of photosynthesis.⁶ The economics and sociology and political science of the organization of those processes that alone can convert rays from the sun into protein and vitamins and fiber and timber – this will be the heart of the issue of what kind of agriculture we are going to have, who will control it, and who will get the benefit of its magic productivity.

⁶ Literature on this theme is just beginning to flow. Two of my pieces are [1] and [4].

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